

What's a 3-D Visible Enterprise?

An Interview with Joseph W. McGrath, President and Chief Operating Officer, Unisys Corporation, Blue Bell, Pennsylvania



Joseph W. McGrath

EDITORS' NOTE Joe McGrath is not reticent to admit that the IT-consulting "services we offer sound very similar to our competitors." At Unisys, however, a revolutionary methodology labeled the "3-D visible enterprise" makes all the difference. As the president and chief operating officer explains, it "allows us to perform a process we call 'business blueprinting,' which enables our customers to see the impact their technology decisions and investments will have before they actually make them."

Still more has been occurring at Unisys. For instance, "instead of viewing the economic downturn as a major disadvantage," McGrath continues, "we viewed it as an opportunity" to lure 450 top minds from the likes of Accenture and BearingPoint. In addition, "we completely retooled" the firm's "belief systems," its "operating principles, and we ended last year with 80 percent of our business in the services arena" (versus the lower-growth technology space).

As McGrath reiterates, "In a market that's experiencing increasing overcapacity," the 3-D visible enterprise, "in combination with the infusion of new talent into the corporation and our transformation into a services company, has given us a very demonstrable means of distinguishing ourselves" – which "has put us in a great position for the future."

Prior to joining Unisys in 1999, McGrath held a number of executive positions at Xerox, including vice president and general manager of its Production Color Systems division. Before that, he was a vice president and service director of the Gartner Group. A graduate of Rutgers University, he assumed his present posts in March 2004.

COMPANY BRIEF Founded in 1986 and headquartered just outside Philadelphia, Unisys Corporation is one of the world's leading IT-consulting firms, providing services such as systems integration, business process and infrastructure outsourcing, and technology to local, state, federal, and foreign government agencies, as well as to industrial sectors including communications, financial services, and transportation. Employing more than 37,000 people and listed on the NYSE as UIS, it reported net income of \$259 million on total revenues of \$5.9 billion in 2003.

How has Unisys evolved and grown over the past number of years?

To go back a bit, the second half of the '90s was the go-go years for our segment. Because of Y2K, everyone was worried that the world would stop turning, and so companies made major investments in packaged applications, ERP [enterprise resource planning], and CRM [customer-relationship management], among other technologies. Additionally – and this seems like ancient history now – dot-coms were being valued more than brick-and-mortar companies. However, our chairman and CEO, Larry Weinbach, who had joined Unisys in 1997, put a stake in the ground and said that we should evolve from a technology company into a services-led company, with a target of 75 percent of our business coming from services.

During the second half of 2000, when the economy began to falter, growth in the services market also began to decline. Unisys, though, was in a very different position because, instead of viewing the economic downturn as a

major disadvantage, we viewed it as an opportunity. We lived by the motto, "Carpe diem." We aggressively began to recruit top talent from firms like Accenture, BearingPoint, Ernst & Young, and PricewaterhouseCoopers. We brought 450 new leaders into our company, all of whom had formerly been Big Five managing partners, senior managers, and so on. That was a major infusion of talent. And even though the systems-integration business was down slightly overall, Unisys was up by 10 percent in that area and by 17 percent in our outsourcing business.

Because of the aggressive changes we made in transforming this company, we had a successful 2003. We completely retooled our team, our belief systems, and our operating principles, and we ended last year with 80 percent of our business in the services arena. All of this has put us in a great position for the future.

At least on the surface, the services you offer might sound very similar to those of your competitors. How do you differentiate Unisys from the other operators in your space?

That statement – that the services we offer sound very similar to our competitors' – is absolutely correct. In fact, the situation is even more complicated than that, with the overcapacity in our space still increasing.

There's a change occurring globally, which I call the "Indian miracle." A number of years ago, the Indian government made a major investment in expanding and improving higher education in the engineering sciences. As a result of that investment, Indian institutions now graduate three times as many computer scientists and electrical engineers as the United States does each and every year. So, the shift to offshore programming and business-process outsourcing isn't a temporary phenomenon. On top of our industry's overcapacity in the U.S. and Europe, which isn't being addressed, the continual feed of low-cost, high-caliber talent in India is making differentiation even more difficult.

To combat this situation, Unisys has developed a strategy we call the "3-D visible enterprise." That may sound like mar-

ketting hype, but it addresses three systemic problems that companies have had regarding their investments in information technology over the years. First, companies haven't seen a direct correlation between investments and return. In fact, many large investments in packaged applications and ERP have left customers unsatisfied. Individual companies have spent up to \$50 million on these programs, but there has been no evident return. Second, C-level executives are struggling with the movement from strategy to execution. They have trouble determining the direct line between a developed strategy and day-to-day execution in the field. And third, as a result of Sarbanes-Oxley, companies need to have much greater end-to-end financial and operational visibility.

At Unisys we've sewed these three issues together to create a next-generation methodology for building systems: our 3-D visible enterprise. This methodology allows us to perform a process we call "business blueprinting," which enables our customers to see the impact their technology decisions and investments will have before they actually make them. That might sound like a pie-in-the-sky idea, but we've been implementing it for large governmental and commercial clients for more than a year now. We have case studies that demonstrate the hard dollar savings, productivity changes, and redundancy elimination this methodology has brought about.

In a market that's experiencing increasing overcapacity, we'd be in a lot of trouble if we didn't have this clear differentiation strategy. So, the 3-D visible enterprise methodology, which we employ throughout the Unisys organization, in combination with the infusion of new talent into the corporation and our transformation into a services company, has given us a very demonstrable means of distinguishing ourselves to clients.

Have you been happy with how the 450 leaders you hired have integrated themselves into the Unisys culture?

When large companies try to integrate their teams, cultures clash, so we took a very different – and ultimately successful – approach. We asked these new people to help us develop our new operating principles while attending off-site workshops.

These new operating principles aren't the typically flat, blasé values just about anybody can ascribe to an organization; rather, they're hard-hitting and pithy. For example, the first principle is "External Obsession," which we define as the holistic perspective that integrates our clients' industry dynamics, competitors, and internal landscape into every solution. The other principles are "Best or Nothing," "Invent the Future," "Be Bold," "Team for Speed," and – the most controversial of all – "Deliver or Die." Unisys, in one respect, is no different from any other company: We

struggle with some projects, and we make mistakes. However, we've pledged to "deliver or die," and that has been a great rallying cry for our company. At the end of the day, we'll find the talent we need to fix a problem and deliver on our promise. After our team developed these six principles, Larry Weinbach added "Absolute Integrity," which has become a platform for all the other operating principles.

So, to recap, instead of attempting to integrate these new people into the Unisys culture, we allowed them to help brainstorm a new culture, along with our existing leadership.

To develop a successful relationship with client organizations, do you need to sell to and deal with C-level executives?

Because of the size of many of our engagements – between \$50 million and \$1 billion – the executive office or the board makes the decision. These large deals generally include outsourcing, systems integration, and consulting. Of course, the average C-level executive doesn't want to know about the specifics of outsourcing or systems integration; he just wants a service provider that can solve his company's problems and act as a true partner in the trenches.

C-level executives and the board of directors are also more involved now because of Sarbanes-Oxley. Losing control of accounting and finances puts CEOs and CFOs at personal risk. As such, they want to know about anything that touches process visibility and financial transparency. So, to reiterate, these deals are being made at the executive and/or board level for two reasons: the monetary size of the engagement and the implications on financial transparency and controls.

Does Unisys have more expertise in some industries than others?

We prefer to be "an inch wide and a mile deep," as Larry Weinbach says. As such, we don't participate at all in 50 percent of the market. Our approach is industry based, and our clients have confidence in us because we have a depth of domain knowledge and expertise.

Specifically, we're very successful in the public sector, which has been our largest growth segment over the past three years. We work with local, state, and federal government agencies. We also work heavily with the financial-services industry – particularly banks and insurance companies – as well as with the communications and transportation industries, and commercial clients, such as pharmaceutical and consumer-products manufacturers.

Do you see strong opportunities in any particular international markets?

More than 50 percent of our business is outside the U.S. Asia Pacific is especially important to us. For example, through a joint project with China's TravelSky, we've

had a great deal of success throughout greater China. Thanks to our deep expertise in transportation, we were hired to design and implement the airline reservations systems, ground handling, departure controls, and other major functions for all of China's airlines. We also designed and installed the infrastructure of the Beijing, Shanghai, and Guangzhou airports. It's very hard to make money in China, but we do because of the highly focused qualities of many of our services.

Given the general volatility in Latin America, does Unisys do much work there?

Actually, Latin America is important to us, and we have leading market share in many of the countries there. Many U.S. companies take a reactionary attitude toward Latin America, basing their investments entirely upon the economic ebb and flow. That is, they invest and withdraw, reinvest and withdraw again. Unisys, on the other hand, has kept a consistent level of investment across Latin America.

We resist the temptation to exit and reenter, as I said, and so we've had a fair degree of success in Latin America, mostly in the financial-services and telecommunications sectors. Also, we tend to follow our strategic clients around the world. For instance, we made a commitment to Telefónica, the Spanish telecom giant, when it began to move across Latin America. We now support Telefónica in nearly every major country in Latin America. Hub clients like this help us withstand whatever stormy conditions may exist in Latin America.

Do you think Wall Street has an effective understanding of your firm's competitive advantage?

Wall Street can be a very tough audience, but I'd say that the analysts generally understand Unisys. If a few analysts still see us as a technology company, they're the exception. The vast majority now covers us as a services company.

The public's perception of the corporate world was tainted by the many recent ethical lapses. Do you think that companies with integrity can improve that perception?

In a broad sense, yes. It's a shame that everyone was painted by the same brush, when the people who caused the problems were clearly in the minority.

Unisys is absolutely obsessed with visibility and integrity in our earnings and reporting. We had this same commitment before Sarbanes-Oxley, but we've taken it up a notch by employing a very labor-intensive and detailed process, to ensure that we have the right levels of conformity.

Are you ever able to turn off the business?

Don't ask my wife! I don't stay tuned to the business because I have to; I stay tuned because, after building a team of the caliber we have now, I love to. I have a passion for what I do. ●